Before the
Federal Communications Commission
Washington, D.C. 20554

In the Matter of	)	
	)	
Qwest Communications International, Inc.	)	
	)	WC Docket No. 02-148
Consolidated Application for Authority to Provide	)	
In-Region, InterLATA Services in Colorado, Idaho,	)	
Iowa, Nebraska, and North Dakota	)	
	)	

COMMENTS OF WORLDCOM, INC. ON THE APPLICATION BY QWEST COMMUNICATIONS INTERNATIONAL, INC. TO PROVIDE IN-REGION, INTERLATA SERVICES IN COLORADO, IDAHO, IOWA, NEBRASKA, AND NORTH DAKOTA

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July 3, 2002

INTRODUCTION AND EXECUTIVE SUMMARY

Qwest's five-state section 271 application for Colorado, Idaho, Iowa, Nebraska, and North Dakota is unlike prior successful section 271 applications in one important respect: it is completely unknown whether Qwest's operation support systems ("OSS") can perform adequately at true commercial volumes. Successful section 271 applicants in the past have been able to defend their OSS on the basis of both a third-party test and commercial activity in at least one state in their region. Here, however, Qwest relies almost entirely on a third-party test. Qwest has almost no commercial experience in processing basic unbundled network platform ("UNE-P") migration orders, the only order type that can serve as a viable means of ubiquitous entry.

In many respects, the third-party test was well-executed, but the fact remains that as WorldCom has begun to submit residential UNE-P orders and line sharing DSL orders for business customers in Qwest territory, serious OSS deficiencies exist. Moreover, pricing errors contained in Qwest's benchmarking methodology result in excessive rates that prevent competitors from offering residential service to the mass market on a statewide basis. Finally, Qwest refuses to provide customized routing as requested by WorldCom for purposes of carrying operator services/directory assistance traffic, which violates checklist item 7 of section 271.

Until very recently, WorldCom was kept out of the local market in Qwest territory altogether because of Qwest's highly excessive UNE-rates and completely untested OSS. As Qwest made needed reductions to its UNE rates and subjected its OSS to a third-party test, WorldCom was able to enter the local market on a limited basis in three of the five states for which Qwest is seeking section 271 authority. Specifically, WorldCom, in partnership with Z-Tel, began offering its Neighborhood product to customers in Colorado, Iowa, and North Dakota in April of this year. We offer customers in certain parts of these states our premium Neighborhood product called Neighborhood Complete, which includes local and unlimited long-distance service plus five features. In addition, WorldCom offers line-shared DSL service to business customers in Colorado.

WorldCom would like to offer all of its Neighborhood products, including its more basic and less expensive products, to the mass market on a statewide basis throughout Qwest territory. WorldCom also would like to grow its DSL business in Colorado. But it can do neither of these things unless Qwest corrects key deficiencies in its OSS and further reduces its UNE-rates.

Qwest's OSS presents serious hurdles to competitors. Many of these hurdles are unique to Qwest and unheard of in any other BOC region. For example, only Qwest does not offer migration by name and telephone number; only Qwest requires CLECs to list on migration orders a customer's existing features; and only Qwest does not use CABS BOS billing for wholesale charges.[1] Qwest must step in-line with other ILECs and correct these deficiencies before it gains section 271 authority:

- Qwest must offer migration by name and telephone number
- Qwest must offer fully integratable pre-ordering and ordering interfaces
- Qwest must allow CLECs to transmit migration orders without placing the customers existing features on an order
- Qwest must stop returning jeopardies or rejects that require CLECs to correct orders after Qwest has already transmitted a firm order confirmation ("FOC").

[1] On July 1, after this application was filed, Qwest finally introduced CABS BOS billing. CABS BOS has not been tested, however, or used commercially by any CLECs.

- Qwest must improve the intervals in which it provisions UNE-P orders
- Qwest must improve its performance in repairing lines
- Qwest must offer CABS BOS billing and show that these bills are formatted properly and are accurate
- Qwest must make its test environment mirror its production environment
- Qwest must issue SOCs for DSL orders only once the order is completed
- Qwest must provide all pertinent loop qualification and loop make-up information for DSL orders
- Qwest must provide accurate Channel Facility Assignment (CFA) information for DSL orders

The Commission should rigorously evaluate the OSS deficiencies that WorldCom and other CLECs are experiencing as they enter Qwest territory. The importance of Commission scrutiny is heightened here where commercial experience to date has been very limited and where the third-party test itself concluded while KPMG continued to deem Qwest's performance unsatisfactory or inconclusive with respect to a number of important issues. Moreover, the third-party testers simply followed Qwest's documented procedures and did not assess whether Qwest's procedures themselves were adequate. For example, the testers did not review Qwest's failure to offer CLECs the important functionality of migration by name and telephone number.

The Commission must apply even closer scrutiny to Qwest's third-party test in light of the potential impact on the test results of data obtained from CLECs entering into "secret deals" with Qwest. This Commission is aware – based on the pending proceeding in which Qwest seeks a declaratory ruling on whether it is required to file certain interconnection agreements with state commissions – that several CLECs received preferential treatment from Qwest in return for certain concessions, such as not opposing Qwest's section 271 application. To the extent that data from these CLECs was used in the test, the test results may be skewed. KPMG has not revealed to WorldCom the extent to which it believes the test may have been impacted by these secret deals, nor reviewed the secret deals to assess their potential impact. In light of this, the Commission should take steps to assure itself that the test results accurately reflect the experience of all CLECs, not just those that entered into secret deals. The Commission could, for example, separate Qwest's wholesale performance data for carriers alleged to have entered into unfiled interconnection agreements from the aggregate wholesale performance results. This would present a more accurate picture of Qwest's wholesale performance.

Qwest also must make at least two corrections to its pricing methodology to lower its inflated UNE rates. First, the benchmarking methodology Qwest uses to support its recurring UNE rates in Idaho, Iowa, and North Dakota neglects to account for its sale of high-cost exchanges in these states. Second, Qwest fails to accurately reflect the relative minutes of usage in each of the four states that it benchmarks to Colorado. These two errors result in inflated UNE rates for each of these states - loop rates are overstated by 1 percent in Idaho, 3 percent in Iowa, and 9 percent in North Dakota, and switch usage rates are overstated by 35 percent in North Dakota and 20 percent in Nebraska.

Moreover, these pricing errors contribute to a price squeeze. Indeed, the statewide average gross margin in each of the five states is less than what is required for a

CLEC to recover its own internal costs and in many zones is not even close to what a CLEC requires to make a profit providing local service. Until Qwest's UNE-rates are reduced, WorldCom will continue to be able to offer in only certain parts of each state a bundled product with five features. WorldCom would like to offer service to more customers in more parts of each of the states, but UNE-rates must be reduced before we can do so.

Finally, Qwest is not providing WorldCom with the customized routing necessary for transporting operator services/directory assistance (OS/DA) calls. WorldCom wants to self-provision OS/DA services to its customers and has designated its existing Feature Group D trunks as the trunks over which it wants Qwest to route its customers' OS/DA calls. Qwest refuses to comply with WorldCom's request. Qwest maintains that WorldCom must purchase direct trunks dedicated to OS/DA traffic from each of Qwest's end offices to WorldCom's switches, rather than permitting WorldCom OS/DA traffic to travel over trunks that also carry WorldCom's long distance traffic, which would significantly reduce the cost of transport. Qwest therefore is not providing customized routing in compliance with the Commission's statement in the UNE Remand Order that *requesting carriers may designate* the particular outgoing trunks over which its OS/DA traffic will travel.

Until these OSS, pricing, and customized routing issues are fixed, Qwest's section 271 application for Colorado, Idaho, Iowa, Nebraska, and North Dakota should be denied.

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EXHIBITS

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1	Price Squeeze Analysis
2	Direct Testimony of Edward Caputo, PUC Docket No. P-421/CI-01-1370 (Minn. Pub. Utils. Comm'n Jan. 28, 2002)

TABLE OF CITATION FORMS

FCC Orders	
Georgia/Louisiana Order	In re Joint Application by BellSouth Corporation, BellSouth Telecommunications, Inc. And BellSouth Long Distance, Inc. for Provision of In-Region, InterLATA Services in Georgia and Louisiana, CC Docket No. 02-35, Memorandum Opinion and Order, FCC 02-147 (rel. May 15, 2002).
Louisiana I Order	In re Application of BellSouth Corporation, et al. Pursuant to Section 271 of the Communications Act of 1934, as Amended, to Provide In-region, InterLATA Services in Louisiana, CC Docket No. 97-231, Memorandum Opinion and Order, 13 F.C.C.R. 6245, FCC No. 98-71(1998).
Louisiana II Order	In re Application of BellSouth Corporation, BellSouth Telecommunications, Inc. and BellSouth Long Distance, Inc. for Provision of In-region, InterLATA Services in Louisiana, CC Docket No. 98-121, Memorandum Opinion and Order, 13 F.C.C.R. 20599, FCC No. 98-271(1998).
New Jersey Order	In re Application by Verizon New Jersey Inc., Bell Atlantic Communications, Inc. (d/b/a Verizon Long Distance), NYNEX Long Distance Company (d/b/a Verizon Enterprise Solutions), Verizon Select Services Inc. for Authorization To Provide In-Region, InterLATA Services in New Jersey, WC Docket No. 02-67, Memorandum Opinion and Order, FCC No. 02-189 (rel. June 24, 2002).
South Carolina Order	In re Application of BellSouth Corporation, et al Pursuant to Section 271 of the Communications Act of 1934, as Amended, to Provide In-region, InterLATA Services in South Carolina, CC Docket No. 97-208, Memorandum Opinion and Order, 13 F.C.C.R. 539, FCC No. 97-418(1997).
Texas Order	In re Application by SBC Communications Inc., Southwestern Bell Communications Services, Inc. d/b/a Southwestern Bell Long Distance Pursuant to Section 271 of the Telecommunications Act of 1996 To Provide In-Region, InterLATA Services in Texas, CC Docket No. 00-65, Memorandum Opinion and Order, 15 F.C.C.R. 18354 (2000).
UNE Remand Order	In re Implementation of the Local Competition Provisions of the Telecommunications Act of 1996, CC Docket No. 96-98, Third Report and Order, 15 F.C.C.R. 3696 (1999).

Declarations and Affidavits	
Frentrup Decl.	Declaration of Chris Frentrup on Behalf of WorldCom Inc. (Tab C hereto).
Lichtenberg Decl.	Declaration of Sherry Lichtenberg on Behalf of WorldCom Inc. (Tab A hereto).
Nielson Decl.	Declaration of Geoffrey Nielson on Behalf of WorldCom Inc (Tab B hereto).
Notarianni & Doherty Decl.	Declaration of Lynn M.V. Notarianni and Christie L. Doherty, on Behalf of Qwest Communications Int'l (Qwest App., Att. 5, App. A)
Stewart Decl.	Declaration of Karen A. Stewart on Behalf of Qwest Communications Int'l (Qwest App. Att. 5, App. A)
Simpson & Stewart Decl.	Declaration of Lori A. Simpson and Karen A. Stewart on Behalf of Qwest Communications Int'l (Qwest App. Att. 5, App. A)

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Qwest's application for section 271 authorization in Colorado, Idaho, Iowa, Nebraska, and North Dakota presents serious concerns about the following issues: the sufficiency of Qwest's OSS for both unbundled network elements platform (UNE-P) and DSL services in a commercial setting; excessive UNE rates that preclude competitors from selling local service to the mass market on a state-wide basis; and the unavailability of customized routing for purposes of transporting OS/DA traffic.

I. QWEST MUST RESOLVE NUMEROUS OSS DEFICIENCIES

Qwest has applied for section 271 authority while significant deficiencies still exist in its OSS and while much about its OSS remains completely unknown. Unlike other BOCs that have been granted section 271 authority, Qwest cannot rely on significant commercial activity anywhere in its region to demonstrate the readiness of its OSS to process basic UNE-P orders, the only entry vehicle that can today support broad-based entry for residential and small business markets. In May 2002, Qwest processed only

6,008 UNE-P orders via its EDI ordering interface, by far its highest volume month to date, and even this number is inflated as an estimate of Qwest's ability to process UNE-P orders. Lichtenberg Decl. ¶¶ 6-8. Moreover, some of these orders were not true UNE-P residential orders but rather a different product called UNE-E. Id. In contrast, in other regions, WorldCom alone often submits 3,000-5,000 UNE-P orders *per day* in individual states. Id. ¶ 5.

The absence of significant commercial entry in the Qwest region is the result of years of delay by Qwest in even attempting to implement the basic requirements of the Telecommunications Act. Until recently, Qwest's UNE rates were so far above cost as to make entry unthinkable. And Qwest's Operations Support Systems (OSS) was far behind that of other regions. While Qwest has recently made progress in addressing these problems, it is only now that Qwest is beginning to gain the commercial experience that will show whether its OSS is ready for competition.

Neither of the two national CLECs that are using UNE-P as a primary entry strategy, WorldCom or AT&T, even entered the Qwest region until very recently. In partnership with Z-Tel Communications, Inc. (Z-Tel),[2] WorldCom started offering local service in parts of the Qwest region in April 2002 with its Neighborhood product, which bundles local and unlimited long-distance service, along with five features, for a set price. Of the five states for which Qwest has sought section 271 authority, WorldCom is offering its Neighborhood product in certain parts of Colorado, Iowa, and North Dakota. To date, however, WorldCom's experience remains quite limited. As of June 12, 2002, Z-Tel had transmitted approximately 9,200 UNE-P orders to Qwest on behalf of WorldCom.

Lichtenberg Decl. ¶ 5. Yet even with low volumes in the Qwest region, WorldCom already has discovered key difficulties with Qwest's OSS. It will almost certainly discover more problems as it begins to ramp up service.

In every market that WorldCom has entered, it has found significant OSS problems that were not discovered in third-party tests. Yet because of the dearth of commercial experience, Qwest is forced to rely almost entirely on the third-party test to prove the readiness of its OSS. The Commission has long understood that third-party tests are a second-best substitute for actual commercial experience. In other regions, BOCs applying for section 271 authority always were able to rely on commercial experience in at least one state in their region to show the readiness of their OSS. Because Qwest lacks such experience, the Commission should scrutinize the third-party test results very closely.

Close scrutiny reveals that Qwest's OSS is not ready. Unlike third-party tests in other regions, the third-party test here ended while KPMG continued to deem Qwest's performance unsatisfactory with respect to a number of important issues. The third-party test also ended with a number of important issues unresolved because Qwest unilaterally determined that certain issues should not be retested. On other important issues, Qwest only escaped a finding of unsatisfactory performance because the test criteria used by KPMG were so-called "diagnostic" criteria for which KPMG was not tasked with reaching an ultimate conclusion on Qwest's performance. These kinds of results do not show that Qwest's OSS is fully ready.

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[2] We refer in these comments to the problems that WorldCom is experiencing with Qwest's OSS in providing service to customers signing up for the Neighborhood. We note that because Z-Tel is transmitting the orders over its interfaces, we rely in some cases on information provided to us by Z-Tel.

Moreover, the third-party test did not even attempt to evaluate all of the OSS deficiencies that might exist. In particular, the third-party testers followed Qwest's documented procedures without assessing whether these procedures were adequate. For example, the testers did not consider Qwest's failure to offer the important functionality that allows CLECs to submit migration orders by name and telephone number ("migrate by name and TN").

Close scrutiny also may call into question the integrity of the test data on which the third-party test relied. Based on Qwest's petition for declaratory ruling asking whether it is required to file with state commissions certain interconnection agreements, this Commission is aware of allegations that Qwest and certain CLECs entered into secret, unfiled agreements that provided preferential treatment to the CLECs in return for certain concessions, including not opposing Qwest's attempt to enter the long distance market. KPMG has not revealed the extent to which its test relied on data and information from CLECs that were parties to the secret agreements and received preferential treatment from Qwest. Indeed, WorldCom asked KPMG numerous questions regarding the impact on the test of the data from the CLECs, but was unable to determine from KPMG's answers the degree to which such data impacted the test results. Furthermore, KPMG has not reviewed the unfiled agreements to analyze their potential impact on the information obtained from the CLECs. As a result, it remains unclear the extent to which any preferential treatment for CLECs may have impacted the test.

It is quite possible that the impact was significant. For example, at least one of the agreements contained a term in which Qwest personnel would be physically located at a CLEC's order-processing location to help CLEC personnel create and submit Local

Service Requests (LSR).[3] The improved performance that the CLEC presumably enjoyed likely was not representative of Qwest's actual performance overall. Thus, any use of such data in evaluating Qwest's performance would skew the test results.

The third-party test thus is not alone sufficient to show the readiness of Qwest's OSS. Moreover, WorldCom's recent entry into the Qwest region already has revealed a number of serious deficiencies that remain in Qwest's OSS. While many additional problems are likely to become apparent as we gain commercial experience, even today it is clear that the following key systems issues must be fixed before Qwest's OSS can be deemed ready:

- Qwest must offer migration by name and telephone number
- Qwest must offer fully integratable pre-ordering and ordering interfaces
- Qwest must stop returning jeopardies or rejects that require CLECs to correct orders after Qwest has already transmitted a FOC
- Qwest must allow CLECs to transmit migration orders without placing the customers existing features on an order
- Qwest must improve the intervals in which it provisions UNE-P orders
- Qwest must improve its performance in repairing lines
- Qwest must offer CABS BOS billing and show that these bills are accurate and formatted properly
- Qwest must make its test environment mirror its production environment

A. <u>Migration by Name and Telephone Number (TN)</u>

[3] *See, e.g.,* Supplemental Brief of AT&T Regarding Public Interest, *In re the Investigation Into U S West Communications, Inc.'s Compliance with Section 271 of the Telecommunications Act of 1996*, at 4 (Wash. Utils. Transp. Comm'n, filed June 7, 2002).

As WorldCom knows from entering local markets across the nation, the ability to transmit migration orders based on the customer's name and telephone number is critical. The "migrate by name and TN" functionality is essential because it allows CLECs to avoid transmission of customers' addresses on orders and thus avoids the possibility that orders will be rejected due to address errors. Georgia/Louisiana Order ¶ 125. Rejection of orders due to address errors is one of the most common types of rejects and creates significant work for CLECs in correcting the errors, as well as delaying ultimate completion of the orders. Notably, every ILEC except for Qwest offers CLECs the ability to migrate by name and TN. Lichtenberg Decl. ¶ 15.

The ability to migrate by name and TN remains critical even if, as Qwest claims, Qwest offers CLECs the ability to integrate pre-ordering and ordering interfaces. Z-Tel, for example, has attempted to integrate pre-ordering and ordering functionality, but still receives a high number of rejects based on ostensible address errors. Lichtenberg Decl. ¶¶ 14, 16. Because it is critical that Qwest allow CLECs to migrate by name and TN, WorldCom has submitted a change request for Qwest to implement this functionality. WorldCom submitted this change request only recently, but Qwest should have known of its importance to CLECs, as it was discussed in this Commission's Texas Order ¶ 160 and Georgia/Louisiana Order ¶¶ 122, 125. Qwest must offer migrate by TN and name functionality before it is authorized to enter the in-region long distance market.

B. Integration of Pre-Ordering and Ordering

The importance of integrated pre-ordering and ordering interfaces has long been clear. One of the primary reasons that this Commission rejected three BellSouth section

271 applications was that BellSouth failed to provide integratable pre-ordering/ordering interfaces. South Carolina Order ¶¶ 155-166; Louisiana I Order ¶¶ 49-55; Louisiana II Order ¶¶ 96-103. In response to each of those applications, we explained the importance of parsed Customer Service Records (CSRs) in achieving integration and enabling CLECs to import important information into their own systems. Each time, BellSouth unsuccessfully responded that it provided alternative means for CLECs to integrate pre-ordering and ordering interfaces.

The Commission approved BellSouth's section 271 application for Georgia and Louisiana only after BellSouth began offering parsed CSRs and otherwise demonstrated that its pre-ordering and ordering interfaces could be successfully integrated. As the Commission explained, "[w]e do not simply inquire whether it is possible to transfer information from pre-ordering to ordering interfaces. Rather, we assess whether the BOC enables *successful* integration." Georgia/Louisiana Order ¶ 119.

Qwest does not offer CLECs the ability to successfully integrate pre-ordering and ordering interfaces. Although MCI's orders are placed over an interface that has been integrated based on Qwest's documentation, Qwest still rejects more than 30 percent of MCI orders. Lichtenberg Decl. ¶30. This is consistent with KPMG's experience during the test, as well as the experience of other CLECs. Lichtenberg Decl. ¶¶ 28-29. Many of these rejects WorldCom receives are almost certainly tied to difficulties in integration. For example, Qwest sometimes returns particular address information at the pre-order stage in one field when it should be in three fields, causing this information to be rejected at the ordering stage. Lichtenberg Decl. ¶ 23.

In its test of CLECs' ability to integrate pre-ordering and ordering interfaces, Hewlett Packard ("HP") found hundreds of inconsistencies between pre-ordering and ordering requirements, including inconsistent business rules and invalid field values and data types. Lichtenberg Decl. ¶21. HP also noted other integration issues, such as return of the billing section as a concatenated street field, Qwest's failure even to return information at the pre-order stage for several industry standard fields, and 41 CSR-related issues. *Id.* HP concluded that although possible for a CLEC with appropriate resources, funding, time and planning "a CSR to LSR parsing would be a very challenging and complex undertaking for a CLEC with an Information Technology team experienced in EDI development." Nostrianni/Doherty Declaration, Att. LN-OSS at 37. HP's own orders frequently were rejected despite its efforts to integrate.

There is no reason that Qwest should make pre-ordering and ordering integration so difficult. Qwest should provide fully parsed CSRs, in-line with the other ILECs, or, at the very least, provide complete and consistent business rules and pre-ordering/ordering fields that allow CLECs to readily construct an integrated interface. Indeed, it is clear from WorldCom's experience that at present the only "integration" that is possible still results in a high reject rate on basic UNE-P orders.

In short, CLECs attempting to operate in Qwest territory cannot achieve the successful integration of pre-ordering and ordering interfaces required to compete effectively.

C. **Ordering**

Qwest's ordering process is flawed. On basic UNE-P migration orders, Qwest fails to follow the standard ordering process used by other ILECs. Qwest also manually processes too many orders.

Qwest Requires CLECs to List Existing Features on Migration Orders. Qwest requires CLECs to include a customer's existing features on an order, as well as the features the customer would like to receive from the CLEC. Consistent with industry guidelines, every other ILEC requires only that CLECs include the new features the customer wishes to receive. Lichtenberg Decl. ¶ 26.

Qwest's unique process needlessly and substantially complicates ordering. The customer's existing feature information often includes many universal service ordering codes and line class codes. The CLEC must obtain this information from the customer's Customer Service Record (CSR) and then either retype all of the information or attempt to develop the software to integrate that information with its ordering process, making integration far more difficult than in regions where this information is not required. Id. ¶¶ 27, 31. Moreover, if the information on the CSR has not been updated or has been updated incorrectly, the order submitted will not accurately reflect the customer's existing features and will be rejected even if integration is successful. Id. Of the five most significant causes of rejects on WorldCom orders in the Qwest region, three relate to information concerning features or to conflicts between fields. Id. ¶ 31.

It is not surprising that the reject rate in the Qwest region is high, given Qwest's cumbersome ordering process for basic migration orders, which, as explained above, also requires address information. Indeed, the rate is much higher than in other regions.

During the test, KPMG found reject levels between 32 and 41 percent; Qwest's performance data also shows a reject rate well over 30 percent, as does WorldCom's own experience. Lichtenberg Decl. ¶¶ 28-30. These reject levels are staggeringly high. In other regions in which WorldCom is transmitting orders in partnership with Z-Tel, reject rates are typically less than half what they are in the Qwest region. Id. ¶ 30.

WorldCom recently submitted a change request to alter the current ordering process to enable CLECs to submit migration orders without listing existing feature information. But Qwest should not have adopted the current process in the first place. There is no reason that Qwest's ordering process should differ from the ordering process in every other region of the country. It is critical that Qwest change its process before it is authorized to provide long distance service.

Qwest Manually Processes Too Many Orders. Qwest processes far too many orders manually and has not shown that it is capable of effectively processing a high volume of orders even with current levels of manual intervention.

During the third-party test, flow-through was considered a diagnostic measure only. Thus, KPMG did not reach a conclusion as to whether Qwest's flow-through performance was adequate. But KPMG did find a high level of manual handling in Qwest. In particular, KPMG found that only 51.86 percent of 3,650 order transactions submitted via EDI flowed through to the service order processor. Final Test 13-1-2. Although Qwest's performance was better for orders designed to flow through, even for these orders, a significant percentage fell out for manual handling during the test. KPMG found that more than 5 percent of UNE-P transactions that were designed for flow-through failed to flow through, unlike in other regions where KPMG tests revealed near 100 percent flow through for orders designed to flow through. Final Test 13-1-4, 13-1-5. Lichtenberg Decl. ¶ 35

Qwest's commercial experience is even worse than the test results. In April 2002, Qwest flowed through only 53 percent of UNE-P orders received via EDI region wide (Performance Reports, PO-2A-2). It is clear that Qwest has not designed to flow through some order types that are important and clearly should flow through – such as supplemental orders to change due dates or features. Lichtenberg Decl. ¶ 36. It is not clear why any significant fraction of UNE-P orders should not flow through. It may be that there are important categories of orders that are not designed to flow through but that Qwest has not included in its list of order types that are not designed to flow through. WorldCom has found this to be the case in other regions.

In any event, even with respect to what Qwest considers flow through of eligible LSRs, Qwest's performance has been extremely poor. Only 86 percent of eligible LSRs for UNE-P received via EDI flowed through in May and only 82 percent in April region wide. Id. ¶ 37; (Peformance Reports, PO-SB-2). This is extremely poor performance with respect to orders that ostensibly were designed to flow through.

Qwest's poor flow through performance is almost certain to cause significant problems. Unlike in other regions, Qwest does not have sufficient commercial experience to show that it can process orders manually without difficulty as ordering volumes increase significantly. Indeed, Qwest has not even shown it can do so with low order volumes. Unlike BellSouth, Georgia/Louisiana Order ¶¶ 159-161, Qwest currently has no measure of service order accuracy that would show whether Qwest accurately provisions manually processed orders. Lichtenberg Decl. ¶ 43. But the data Qwest provides in its declaration itself suggests that performance is poor, showing a 3 percent error rate in updated CSRs and a 3 percent error rate in designating completion dates – even aside from possible errors in provisioning features. Notarianni & Doherty Decl. ¶ 354.

Further, the third-party test shows that Qwest's manual processing is far from adequate. KPMG determined that Qwest lacks defined, documented, and adhered-to procedures for processing orders that have not flown through. Final Test 12.8-2 (due to Observation 3110).[4] HP noted that "many of the[] manually handled orders were not correctly processed by Qwest reps." Nostrianni/Doherty Declaration, Att. LN OSS –22 at 1. And KPMG found that manual processing led to numerous errors that affected the accuracy of performance reporting. Final Test 12-11-4, 14-1-44.[5]

While poor flow through might not itself justify rejection of a section 271 application, poor flow through in a region where there is little commercial experience and where all evidence suggests the BOC cannot accurately process orders manually does warrant such rejection.

Order Status Notices. As Qwest properly acknowledges, it is vital that an ILEC transmit timely and accurate order notices to CLECs, including firm order confirmations, rejects, jeopardies and completion notices. Qwest is not yet doing so, as described below.

Qwest Transmits Jeopardies Requiring Supplementation After Firm Order Confirmations (FOC). When Qwest rejects an order and requires the CLEC to

[4] As part of a retest of Exception 3120 involving integrity issues with data used for performance measuring, KPMG determined that 8 orders that should have flowed fell out for manual handling. KPMG then looked at a larger data set. As KPMG explained at the June 20, 2002 ROC meeting with FCC staff, on orders that fell out for manual handling there was an error rate of approximately 15 percent in processing those orders. *See also* Observation 3110.

supplement the order to correct it, Qwest sometimes does so by transmitting a jeopardy notice rather than a reject notice. WorldCom receives a substantial number of jeopardies that require it to send supplements before Qwest will complete the order. Lichtenberg Decl. ¶ 47. This is an entirely improper use of a jeopardy notice.

A jeopardy notice is supposed to inform a CLEC that the date for completing the order has changed from what the ILEC originally promised on the FOC. Here, Qwest is transmitting jeopardy notices that, for example, inform the CLEC that the address on the order is invalid. An order with an invalid address should receive a reject notice before a FOC is transmitted, not a jeopardy notice – or a reject notice – after a FOC has been transmitted. Indeed, HP opened an exception during the test because Qwest was submitting rejects after FOCs. Lichtenberg Decl. ¶ 49. Apparently Qwest responded by making the situation worse – turning the rejects into jeopardies even though they were based on errors on CLEC orders. After the FOC, Qwest should not be sending any order status notice that requires additional work by the CLEC. Id.

Transmission of a jeopardy instead of a reject creates substantial difficulty for CLECs. Z-Tel's systems, for example, were established based on the premise that only rejected orders would have to be corrected, not orders receiving a jeopardy notice. Z-Tel's systems were also set up based on the premise that receipt of a FOC means that the order has been accepted. Z-Tel has had to modify its systems so that it can evaluate whether jeopardy notices require a correction to the original order, which resulted in significant costs. Id. at ¶ 51. In addition, Qwest's process causes significant complications for CLECs tracking the status of an order. Because CLECs must

[5] KPMG concluded that, "[w]ithout further retesting specifically designed to assess the impact of human error on the accuracy and completeness of Qwest's PID reporting, KPMG Consulting is unable to conclude

essentially re-code jeopardies as rejects to show that the order must be supplemented, it is much harder to track the jeopardies and rejects that have been received. Moreover, because only some jeopardy notices require supplemental orders, CLECs must manually check each jeopardy notice to see if a supplemental order is required. This adds unnecessary time and complications for CLECs. Id.

Further complications are created by the fact that if a CLEC has not submitted a supplemental order within four hours in response to a jeopardy, Qwest will then send a reject. Receipt of multiple status notices with different messages for the same order makes it much more difficult for CLECs to accurately track and respond to status notices.

Qwest Fails To Transmit All Jeopardies. In addition to the problems caused by Qwest's improper transmission of jeopardy notices, Qwest also sometimes fails to transmit the jeopardy notices it should transmit. As stated above, a jeopardy notification is intended to inform CLECs that the BOC will not complete the order on the date it had promised. This information is vital, because the CLEC must be able to notify its customer that service will not be turned up on the promised date. South Carolina Order ¶¶ 115, 130.

When KPMG transmitted orders that should have received jeopardy notices from Qwest, Qwest did not send the jeopardies at all. In contrast to what it found in BellSouth, Georgia/Louisiana Order ¶ 156, KPMG determined that Qwest's ability to provide jeopardy notices for resale and UNE-P was unsatisfactory. KPMG also concluded that the absence of jeopardies left it unable to determine whether Qwest returned jeopardies in a timely manner when it did return them. Lichtenberg Decl. ¶¶ 52-53.

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that Qwest satisfied this evaluation criterion."

Although Qwest attempts to rely on its commercial experience to show that it provides jeopardies properly, Notarianni & Doherty Decl. ¶ 282, insufficient data is available to determine if Qwest's performance is in fact adequate. First, if Qwest fails to transmit a jeopardy at all, this would not be captured by the performance measures. Second, Qwest's experience returning jeopardies is so limited that it provides little basis for assessing Qwest's performance. Lichtenberg Decl. ¶ 54. Moreover, Qwest's performance data actually shows that Qwest returns jeopardies in a timely fashion only 17 percent of the time and that this is worse than its retail performance. Id.

Qwest Fails To Show It Can Identify More Than One Error at a Time. RBOCs must be able to identify multiple errors on an order and return these errors simultaneously to a CLEC for correction. If errors are identified one at a time, substantial extra work is created for the CLEC, and order processing is significantly delayed. Yet KPMG did not attempt to evaluate Qwest's ability to handle orders containing multiple errors. Lichtenberg Decl. ¶ 56.[6]

D. Provisioning

Once CLECs surmount the hurdles presented by Qwest's ordering process, Qwest takes far too long to provision basic orders. A UNE-P order should be completed on the same day that it is sent, as only a simple software change is required of the BOC. Indeed, in all other regions, CLECs can request same-day processing for orders submitted before 3:00 p.m. But in the Qwest region, unlike other regions, the shortest interval that CLECs can request on a UNE-P migration is three days if the customer is changing any features. Lichtenberg Decl. ¶ 60. This is true even where no dispatch is required on the order and

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[6] The one very limited exception occurred when the Pseudo-CLEC accidentally transmitted an LSR with more than one error.

all that is required is a translation at the switch. Although Qwest may suggest this is parity, it is impossible to believe that ILEC customers have to wait 3 days for a switch translation such as a feature change.

Furthermore, KPMG found that Qwest did not install non-dispatch orders for the Pseudo-CLEC within a time period in parity with Qwest's retail operations for UNE-P services or business POTS services. Qwest failed both the original test and re-tests in all its regions. Final Test 14-1-34, 14-1-36. Qwest's commercial performance data too show performance that is out of parity even based on whatever retail orders Qwest is using to measure parity. Lichtenberg Decl. ¶ 58. But the biggest problem is that CLECs cannot even request less than a 3-day interval if the customer's order involves a feature change, which all Neighborhood orders include.

It has long been clear that rapid installation of basic orders is critical to a CLEC's ability to compete effectively. Qwest has not yet shown that it can provide CLECs the ability to offer rapid installation to their customers. Qwest's failure to provision UNE-P orders in a timely manner also emphasizes the need for Qwest to improve flow through performance. Quite likely, Qwest was compelled to set a 3-day interval for UNE-P migration orders because it manually processes too many of these orders. A UNE-P flow-through order simply should not take several days to provision. Whatever the cause, however, Qwest takes far too long to process UNE-P migrations.

E. Maintenance and Repair

The third-party test revealed substantial deficiencies in Qwest's performance in repairing troubles on CLEC lines. Once again, however, the test ended before all of these deficiencies had been corrected. Most important, KPMG determined that Qwest's performance in repairing troubles was unsatisfactory. KPMG concluded that Qwest was able to fix only 92 percent of troubles on the first try. Lichtenberg Decl. ¶ 64. This is very poor performance that significantly impacts customers experiencing problems with their service. Qwest's failure to repair troubles also harms CLECs because the CLECs' new customers become extremely dissatisfied with their service when there is delay in fixing troubles on their line.

Although Qwest indicates that its commercial performance is acceptable, Notarianni & Doherty Decl. ¶ 475, Qwest's commercial performance is in fact extremely poor. Region wide, CLECs experienced repeat troubles within 30 days on more than 15 percent of dispatch orders for UNE-P customers in February and March and more than 11 percent of dispatch orders in April. This performance was worse than retail performance for two of the three months. (Performance Reports MR-7A). Amazingly, when no dispatch was required, the repeat trouble rate for CLEC UNE-P customers was more than 20 percent in February and April and more than 17 percent in March and more than 15 percent in May. (Performance Reports MR-7C) Qwest's performance was worse for CLECs than for retail in every one of the last 12 months. Lichtenberg Decl. ¶ 66.

F. <u>Billing</u>

Until July 1, 2002, Qwest was the only RBOC that did not provide electronic CABS BOS (i.e., Carrier Access Billing System/Bill Operating System) billing for wholesale charges even though CLECs have been requesting such bills since 1996. Although Qwest announced on July 1 that it is now providing CABS BOS bills, its process has not yet been tested either by CLECs or by a third-party tester, much less used commercially. Because of Qwest's delay in providing CABS BOS billing, the Commission will not know before ruling on this application whether Qwest's deployment of CABS BOS billing has been successful. As this Commission fully understands from addressing the billing problems that arose in Verizon's section 271 application for Pennsylvania, successful deployment of CABS BOS billing can take many months. Pennsylvania Order ¶ 19.

The CRIS bills that Qwest has been providing in place of CABS BOS bills are entirely inadequate. The bills lack detail information WorldCom needs to audit the bills. Lichtenberg Decl. ¶¶ 69-70. They also vary in different parts of the Qwest region. Combined with difficult mapping issues, this makes it difficult for WorldCom to design billing systems to handle the CRIS bills. Id. ¶ 68. The CRIS bills also are not considered the bill of record, forcing CLECs to rely on extremely cumbersome paper bills whenever there is a billing dispute. Id. ¶ 70.

It is particularly important that Qwest provide auditable CABS BOS bills, since Qwest lacks sufficient internal auditing procedures resulting in known errors with its bills. Despite the limits on the audits WorldCom has been able to conduct, WorldCom already has opened billing disputes with Qwest for hundreds of thousands of dollars. Lichtenberg Decl. ¶ 73. One reason for this is presumably the lack of internal checks on Qwest's bills. KPMG was unable to conclude that Qwest has in place an internal process for validating bill accuracy. KPMG was unable to determine whether Qwest complied with cycle-balancing procedures to resolve out-of-balance conditions *or* whether Qwest uses sufficient reasonability checks to identify errors not susceptible to pre-determined balancing procedures. KPMG was also unable to determine whether Qwest had procedures to ensure that payments and adjustments are applied when errors are identified. And KPMG was unable to determine whether Qwest ensures that bills are retained for a sufficient length of time so that CLECs can challenge them. Id. Because Qwest has not shown that it has processes in place to ensure that it produces accurate bills, the unavailability of auditable bills in CABS BOS format is an especially severe deficiency.

G. Change Management

Qwest recently implemented a new change management process. Much of this process was not put in place until April of this year, and it has not yet been tested. Even though the process has significantly improved, there is no basis on which to conclude that it operates sufficiently. Qwest therefore has not yet "demonstrated a pattern of compliance with this plan," as required by the Commission in section 271 applications. Georgia/Louisiana Order ¶ 179.

Moreover, the third-party tester did not determine that Qwest's change management process is adequate. Indeed, the change management process was still being designed at the time that KPMG performed its testing. As a result, of the 18 change management components that KPMG was able to test, it was unable to determine compliance for seven of them. Specifically, KPMG was unable to determine whether procedures and systems are in place to track descriptions of proposed changes and key notification dates and changes in status (Final Test 23-1-7, 23-2-7); whether criteria were defined for the prioritization process and for coding the severity of defects (Final Test 23-1-8. 23-2-8); whether Qwest complies with notification intervals and documentation release requirements (Final Test 23-1-9. 23-2-9); and whether the change management process as a whole is in place and documented (Final Test 23-2-2). KPMG's inability to determine whether Qwest was complying with its new procedures is particularly worrisome in light of prior KPMG findings that there were some areas in which Qwest did not appear to adhere to its change management procedures. Final Test 23-1-9, KPMG Exceptions 3904, 3111, Observation 3103; Lichtenberg Decl. ¶ 76.

In sum, Qwest has made important progress in moving toward an acceptable change management process, but we do not yet know if Qwest will implement that process successfully and ultimately demonstrate "a pattern of compliance."

H. Qwest Lacks an Independent Test Environment

Qwest does not provide an independent test environment that mirrors production, as required by the Commission for section 271 approval. The Commission recently explained, "[a] stable testing environment that mirrors the production environment and is physically separate from it is a fundamental part of a change management process ensuring that competing carriers are capable of interacting smoothly and effectively with a BOC's OSS, especially in adapting to interface upgrades." Georgia/Louisiana Order ¶ 187.

To the extent Qwest relies on its original test environment, the Interoperability Environment, we note that it is not a physically separate environment. Rather, it is simply a production environment with special flags for test orders. A physically separate test environment is crucial so as to avoid the significant risk that test orders and production orders will become intermingled in the test environment. HP explained that Qwest informed it that it "has not yet developed the means to ensure that test transactions executed in interoperability will not impact live accounts . . . Qwest's concern is reasonable, as HP has experienced adverse impacts to live accounts when utilizing

Qwest's Interoperability Testing process." Notarianni & Doherty Decl., Att. LN-OSS 73. The Interoperability Environment therefore fails one of the Commission's primary criterion for an adequate test environment.

Moreover, CLECs can only test orders in the Interoperability Environment to the extent they have real customers who would allow them to submit test orders on their behalf. No customer is going to want this. As HP explained, requiring that CLECs use valid account data of live customers for testing purposes, "is costly, time consuming, and inconvenient for both CLECs and their customers." Notarianni & Doherty Decl., Att. LN OSS-73. HP also observed instances in which customer accounts were inadvertently changed.

The next iteration of Qwest's test environment, the Stand-Alone Test Environment (SATE) is also currently inadequate. Although physically separate from production, SATE does not mirror production, as KPMG found. Because SATE does not mirror production, it is difficult for CLECs to rely on SATE as a basis for evaluating a new version of an interface. For example, when CLECs receive a certain response in SATE, they have no way of knowing whether they will receive the same response in production and whether they should revise their systems, ask Qwest to revise its systems, or conclude that there is no need for any changes. Lichtenberg Decl. ¶ 90.

KPMG's first criticism of SATE focused on the fact that SATE does not enable CLECs to test all products that Qwest offers. Although Qwest claims that this was the choice of CLECs, that is so only because the alternative presented by Qwest was even worse. Qwest presented CLECs with the choice of either limiting the functionality included in SATE or foregoing development of other functionality important to CLECs.

Lichtenberg Decl. ¶ 84. Moreover, even Qwest acknowledges that CLECs placed high priority on inclusion of some additional products to SATE, Notarianni & Doherty Decl. ¶ 768, and Qwest has yet to include those products, although it promises to do so soon. But the fact remains that Qwest has applied for section 271 authority before developing an independent test environment capable of testing important products.

More important, however, is that even for those products that CLECs can test, SATE does not mirror production. Lichtenberg Decl. ¶ 89-90. KPMG noted that the response-times in SATE do not match production; that the detail received on a production response such as a FOC or a completion notice may not match production -- "another indication that the testing environment does not provide CLECs with an accurate depiction of production capabilities;" and that SATE also fails to mirror production in that CLECs must select predetermined paths in order to receive responses automatically. As a result, KPMG issued Exception 3077 that identifies issues with how CLEC orders are processed in the test environment. In its Final Disposition Report for that Exception, KPMG explained that "data contained within the order responses is not consistent, and may not mirror the data that would be found in production responses." Exception 3077.

CLEC-experience also demonstrates that SATE does not mirror production. For example, in SATE, when a CLEC sends a pre-order inquiry that contains an address with the word "drive," and the proper designation actually is "DR.," Qwest will respond that there is no match. In production, however, Qwest will respond that there is a near-match or an exact-match. When Accenture, which designed the software for Z-Tel, pointed this out to Qwest, Qwest responded, "[a]t this point we do not have the ability to support this level of comparison logic in SATE. Our production backend systems do. We are currently investigating some different options. The answer to Mike's question is that behavior is specific to SATE and you should not expect to see this in production." Lichtenberg Decl. ¶ 87.

Similarly, Qwest appears to acknowledge that there are differences between SATE and the production environment. See Colorado 271 Transcript, June 12, 2002, at p. 1185-188. Qwest states in its OSS declaration that "all *known* differences between production and SATE are documented on an on-going basis. If the implementation of IMA-EDI functionality into SATE causes the system behavior to differ from production, Qwest will likewise document this information." Notarianni & Doherty Decl. ¶ 735 (emphasis added). It also acknowledges that error messages are different in SATE and production and that "responses may occasionally differ between production and SATE." Notarianni & Doherty Decl. ¶¶ 736-737. But as KPMG concluded, "documentation of known differences does not substitute for a test environment that mirrors the transactional behavior of the production environment." Exception 3077.

The differences between SATE and production are likely even more substantial than Qwest acknowledges, but CLECs have had little time to use SATE since its implementation to identify such differences. Nevertheless, it is vital that SATE mirror production, and until it does, Qwest should not be authorized to provide long distance service.

II. QWEST'S DSL LINE SHARING PRACTICES INHIBIT COMPETITION

WorldCom provides DSL service to businesses and Internet Service Providers (ISP) in Colorado through line-sharing arrangements with Qwest. WorldCom's DSL business requires WorldCom to interface with Qwest and access Qwest's systems and databases in order to pre-qualify, order, and maintain the loops required to provide DSL service. Without access to Qwest's pre-ordering systems, for example, we would not be able to tell whether a particular loop is qualified for DSL. And just like with UNE-P service as described above, WorldCom relies on Qwest to provide status-updates on our orders by returning timely and accurate order completion notices or rejects followed by provisioning completion notifications. Unfortunately, Qwest's line sharing performance falls short in a few key areas. In addition, contrary to its representations in this application, Qwest will not continue providing DSL service to customers who switch to a CLEC for UNE-P voice service when that customer's DSL provider is an ISP. Qwest's practice is anti-competitive because it deters customers from switching to a CLEC for voice service.

A. <u>Qwest Does Not Provide All Pertinent Loop Qualification and Loop Make-up Information</u>

WorldCom is not gaining access to all the relevant loop makeup information that is available in Qwest's network, similar to the experience recently described by Covad in this proceeding.[7] WorldCom agrees with Covad's statement that Qwest must prove to the Commission that all loop makeup information in its network is actually made available to competitors on a non-discriminatory basis.

When WorldCom queries Qwest's loop qualification database using Qwest's IMA/EDI loop make-up tool, we do not always receive all pertinent information. Nielson Decl. ¶ 3. For example, WorldCom may perform a query and find that fiber exists in the loop, in which case we are unable to provide DSL service to that customer. Yet, we are not told that a redundant copper facility over which we could provide that customer DSL service is available. Id. Although Qwest suggests that it has populated its database to include spare copper facilities, it has not been WorldCom's experience that this type of information is actually available. Id. WorldCom thus has had to unnecessarily reject customers' orders for DSL service simply because we have not been provided all relevant loop qualification information. Id. In all likelihood, Qwest itself has access to this important information. Qwest must improve its loop qualification processes and database loop information before gaining section 271 authorization.

B. Qwest Improperly Issues a SOC Before Completing the DSL Order

WorldCom has experienced problems in Colorado with the accuracy of Qwest's Service Order Completions (SOC) for its DSL line sharing orders. Nielson Decl. ¶ 4. For example, WorldCom received a SOC for certain DSL line sharing orders, but then a customer complaint revealed that Qwest had not yet completed the order. Id. Discussions with the Qwest central office technician handling the orders revealed that SOCs may be transmitted electronically to a CLEC regardless of whether work actually has been completed. Id. Prematurely issuing SOCs creates customer-impacting issues for WorldCom because WorldCom has been led to believe – and informed its customers accordingly -- that service will be turned up on a certain date. Customers are dissatisfied with WorldCom when they do not receive service on the day promised. Qwest must correct this process.

C. Qwest Fails to Provide Accurate Channel Facility Assignment Information

WorldCom has discovered that Qwest's Channel Facility Assignment (CFA) inventory in a few of its central offices in Colorado is not accurate and requires updating.

[7] *See* Ex Parte Letter to Marlene H. Dortch, FCC, from Jason D. Oxman, Covad, WC Docket No. 02-148,

CFAs are the connections between WorldCom's collocation site and the ILEC's network. Nielson Decl. ¶ 5. Qwest provides to WorldCom a list of available CFAs for each central office, so that WorldCom knows which CFAs it can use to offer service to end-users. Because Qwest has not provided WorldCom with accurate CFA information, orders are automatically rejected with the error message "Invalid CFA," even though we used the assignment that we were given by Qwest. Id. WorldCom must receive assurance that all central office wiring is accurate and that the appropriate information has been updated in Qwest's CFA inventory system in order to provision DSL to its customers.

WorldCom has been making requests to Qwest to update its systems, but in some cases it has taken up to 96 hours to receive updated and valid CFAs, during which time our orders are rejecting. Nielson Decl. ¶ 6. WorldCom has asked Qwest to re-certify certain central offices to ensure that it has completed all necessary work related to providing accurate CFAs. Id. In April of this year, 10 central offices in Colorado were re-certified, and of those 10, seven required that Qwest update its CFA system. Id. Of the seven requiring updating, five are still incorrect. Id. Until the CFAs in these central offices are accurate, WorldCom's DSL orders run the risk of being rejected. Qwest must correct this problem.

D. Qwest Does Not Provide DSL Service to Many CLEC-Voice Customers

WorldCom would like to set the record straight on whether Qwest continues providing DSL service to a customer who has selected a CLEC for UNE-P voice service. Qwest states in its application that "Qwest has agreed to offer its retail DSL service on a stand-alone basis when a CLEC provides the voice service over UNE-P." Stewart Decl. ¶ 67. Indeed, in the Arizona SGAT proceeding, Qwest agreed on a 14-state basis to allow

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filed June 20, 2002.

CLEC UNE-P voice customers to continue to use Qwest's DSL service. Parties chose not to litigate this issue in many of the states based on Qwest entering into this agreement. Now, however, Qwest is backing out of its agreement in cases where the DSL customer uses an ISP. Many of Qwest's DSL customers have been transferred to an ISP under Qwest's "Host Volume Discount Program" that offers volume discounts to ISPs.[8] In fact, Qwest transferred a significant portion of its DSL customers to the ISP Microsoft Network (MSN). Customers of the ISPs cannot obtain UNE-P voice service from WorldCom or any other CLEC, unless the CLEC successfully advises the customers to contact their ISP and have their ISP service disconnected and reconnected to a new ISP.[9] Understandably, customers generally will not want to endure this hassle. Qwest's anti-competitive practice is especially harmful to WorldCom, as we enter the local market with our Neighborhood voice product and must have a way of providing customers DSL. Potential customers are turned away by Qwest's anti-competitive business practices.

III. QWEST SHOULD REDUCE ITS UNE RATES

Qwest must make two corrections to its pricing methodology before gaining section 271 authorization. Until then, Qwest has failed to meet checklist item number

[8] Qwest stated the following in a written response to WorldCom about whether Qwest would continue providing DSL service to CLEC-UNE-P voice customers: "Qwest DSL Host Volume Discount Program arrangements (providing Qwest DSL service to end-users on behalf of Volume Internet Service Providers (VISP)) are not available with UNE-P with Qwest DSL." Qwest further stated that "[I]f the line has VISP DSL, and a CLEC is requesting a UNE-P conversion, Qwest will advise the CLEC that they must go back to the End User and advise them that they must contact their data service provider (ISP) to disconnect their existing DSL service. The VISP DSL line must be disconnected prior to an UNE-P order being issued to convert a line to UNE-P or add another Qwest retail DSL service. Qwest will not accept a VSIP disconnect order from the End User…Qwest VISP DSL is not available with UNE-P services."

[9] Qwest stated the following in written responses to WorldCom questions about whether Qwest would continue providing DSL service to CLEC-UNE-P voice customers: "Qwest DSL Host Volume Discount Program arrangements (providing Qwest DSL service to end-users on behalf of Volume Internet Service Providers (VISP)) are not available with UNE-P with Qwest DSL." Qwest further stated that "[I]f the line has VISP DSL, and a CLEC is requesting a UNE-P conversion, Qwest will advise the CLEC that they must go back to the End User and advise them that they must contact their data service provider (ISP) to disconnect their existing DSL service. The VISP DSL line must be disconnected prior to an UNE-P order

two, which requires that Qwest prove that it has made available unbundled network elements at just, reasonable, and non-discriminatory prices that are based on the costs of those elements.

First, the benchmarking methodology Qwest uses to support its recurring UNE rates in Idaho, Iowa, and North Dakota neglects to account for its sale of high-cost exchanges in these states. Frentrup Decl. ¶¶ 2, 6-8. Second, Qwest fails to accurately reflect the relative minutes of usage in each of the four states to which it benchmarks to Colorado. Frentrup Decl. ¶¶ 9-12. These two errors result in inflated UNE rates for each of these states - loop rates are overstated by 1 percent in Idaho, 3 percent in Iowa, and 9 percent in North Dakota, and switch usage rates are overstated by 35 percent in North Dakota and 20 percent in Nebraska.

A. Background

Qwest's recurring UNE rates were set in cost proceedings in each of the five states for which it is seeking approval under section 271 in this application. However, Qwest defends its application only on the rates set by the Colorado Public Utilities Commission. For the other states, Qwest is proposing rates that are below the rates set by the state commissions, based on a benchmark comparison with the Colorado rates.

To compute the benchmark for the loop rates in Idaho, Iowa, Nebraska, and North Dakota, Qwest multiplies the statewide average UNE loop rate adopted in Colorado by the ratio of Colorado loop costs to the state's loop cost, as those costs are determined by the Commission's Synthesis Model (SM).[10] Frentrup Decl. ¶ 4. To derive the rate for the

being issued to convert a line to UNE-P or add another Qwest retail DSL service. Qwest will not accept a VSIP disconnect order from the End User…Qwest VISP DSL is not available with UNE-P services."

[10] The SM was developed by the Commission to determine universal service costs. To determine UNE costs, modifications to the SM are needed to remove retail overheads, and to spread the remaining

different zones in the states, Qwest multiplies the ratio of this revised statewide average rate to the originally approved statewide average rate by the rates for the individual zones. Id.

Qwest performs a similar operation to derive a new switch usage rate. Frentrup Decl. ¶ 5. First, Qwest derives the ratio of each state's total non-loop costs to Colorado non-loop costs, as determined by the modified SM. Id. It then multiplies that ratio by the total non-loop rate for Colorado to determine each state's allowed total non-loop rate.[11] Id. If that rate exceeds the state's approved non-loop rates – and in every case it does – Qwest resets the shared transport rate to the Colorado rate, retains the state's port rate, and adjusts the switch usage rate so that the new rates in total equate to the allowed total non-loop rate. Id.

B. Qwest's Benchmark Methodology Fails to Account for Exchanges Sold in Idaho, Iowa, and North Dakota

Qwest's use of the adjusted SM for the purpose of computing the benchmark suffers from a serious flaw: it does not account for the fact that Qwest has sold a number of the exchanges that are included in the SM. Frentrup Decl. ¶¶ 2, 6-8. Since these exchanges are higher-cost exchanges in relatively rural areas, the adjusted SM produces overstated costs in those states where Qwest has sold its exchanges. Frentrup Decl. ¶ 6. In fact, of the five states for which Qwest seeks section 271 authorization, Qwest sold exchanges in three of them – Idaho, Iowa, and North Dakota. Id. Since none of the

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wholesale overhead costs among all elements. The SM as modified in this manner has previously been used by the Commission to perform its benchmark analysis.

[11] The total non-loop rate was computed as one port charge, plus the switch usage rate applied to a basket of 1200 originating and 1200 terminating local minutes and 370 combined state and interstate long distance minutes, plus the shared transport rate applied to that same basket of minutes. Qwest makes assumptions about how much of its local traffic is intraoffice, and how much of its traffic is tandem transport to determine the exact number of minutes to which its rates apply. These assumptions are given in detail in the Declarations of Jerrold L. Thompson included in Qwest's 271application.

exchanges in Colorado or Nebraska were sold, the Colorado and Nebraska SM costs are not misstated. Id. However, in Idaho, Iowa, and North Dakota, removal of high cost exchanges from the SM will reduce the resulting loop and non-loop costs in these states, reducing the UNE rates that are allowed under the benchmark methodology Qwest uses. Id.

Correctly reflecting the sale of exchanges in the SM would require rerunning the model with the sold exchanges and their attendant demand removed. Frentrup Decl. ¶ 7 WorldCom does not have access to the wire center demand level data used in the SM, but an approximation of the effect of the sale of these exchanges can be obtained by removing the sold wire centers from the results-files produced for the SM by the Commission.[12] This will provide only an approximation, however, because removing the sold exchanges will, at a minimum, result in a modified interoffice transport network, as those exchanges will no longer need to be included on the network. Id. In addition, there may be changes in the numbers of trunk ports needed, which would change the cost of switching. Thus, the adjustments WorldCom identifies here are likely to slightly understate the true effect on the benchmark analysis of these sold exchanges. Id.

WorldCom obtained the SM expense modules containing the results for these three states, adjusted them to obtain UNE rates, and zeroed-out the sold exchanges. Frentrup Dec. ¶ 8. These modifications lowered the benchmark for loop rates by 1 percent in Idaho, 3 percent in Iowa, and 9 percent in North Dakota. Id. Similarly, these modifications lowered the benchmark for total non-loop rates by 0.5 percent in Idaho, 2

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[12] The wire center demand was provided in the Universal Service proceeding under proprietary cover that prohibits use of the data for any other purpose. The SM results files are available at http://www.fcc.gov/wcb/tapd/hcpm.

percent in Iowa, and 13 percent in North Dakota. Id. Thus, the rates set by Qwest for these three states using its benchmark analysis are overstated by at least these percentages.

C. Qwest's Assumed Benchmark Demand Levels are Inconsistent with Commission Decisions

Qwest assumes the same level of minutes in each of the five states under review to compute a monthly per line non-loop charge.[13] To be consistent with the Commission's previous benchmark analyses, it should use state-specific levels instead.

The computation of a non-loop benchmark requires the combination of several rate elements that have different demand units. Frentrup Decl. ¶ 9. In its computation of an overall non-loop rate, Qwest includes a per-line per-month port charge, a per-minute switch usage charge, and a per-minute shared transport rate, that is itself a combination of a tandem switch charge and a transport charge. Id.

Use of a constant set of demand in all states is inconsistent with the methodology used by the Commission in prior benchmark analyses. Frentrup Decl. ¶10. For example, in its most recent 271 decision, the Commission used state specific demand data in New York and New Jersey to perform its benchmark analysis.[14] Id. Qwest should do so here, rather than using the same demand levels across all five states. The Commission

[13] Specifically, Qwest assumes 1200 originating and terminating local minutes, and 370 toll and access minutes. Twenty five percent of local minutes are assumed to be intraoffice, and 20 percent of toll minutes are assumed to be tandem routed.

[14] *See* Application by Verizon New Jersey Inc., Bell Atlantic Communications, Inc. (d/b/a Verizon Long Distance), NYNEX Long Distance Company (d/b/a Verizon Enterprise Solutions), Verizon Global Networks Inc., and Verizon Select Services Inc., for Authorization to Provide In-Region, InterLATA Services in New Jersey, WC Docket No. 02-67, Memorandum Opinion & Order, FCC 02-189, rel'd. June 24, 2002 at ¶ 53.

acknowledged that standardized demand assumptions might be reasonable in some cases, such as in the absence of state-specific demand data, but that is not the case here.[15]

Indeed, state-specific demand data are available for all five states in this application. Frentrup Decl. ¶ 11. Data on dial equipment minutes (DEM) are available from the ARMIS 43-04 report. Id. Data on retail switched access lines are available in the ARMIS 43-08 report. Id. And in its section 271 application, Qwest provides the number of resale, UNE-platform and unbundled loop lines it provides to resellers in each of the five states.[16] Id. These data are presented in Table 1, attached to the Frentrup pricing declaration. Frentrup Decl., Table 1.

As seen in Table 1, the minutes of use per-line varies substantially across these five states, with Colorado having relatively low minutes. North Dakota and Nebraska have substantially higher minutes per-line. Substituting these state specific minutes per-line in Qwest's computation of the benchmark rates results in an 11 percent reduction in the switch usage rate for North Dakota and a 30 percent reduction in Nebraska. Frentrup Decl. ¶ 12. These changes are in addition to the reductions that would occur from the removal of the effect of sold exchanges discussed above.

D. Qwest's UNE Rates Cause a Price Squeeze

The errors that Qwest makes in setting its UNE rates, described above, contribute to a price squeeze that prevents statewide residential competition in all five states.

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[15] Id.

[16] *See* Qwest Brief at 19. There is a slight mismatch in the time periods for these two sets of data. The DEM data are reported for calendar 2001. The switched access line data in ARMIS 43-08 are reported as of year-end. To correct for this mismatch, the line data used in this analysis employs an average of the data reported for year-end 2000 and 2001. However, the CLEC line data reported by Qwest in its brief are line counts as of March 31, 2002. Since lines are likely to have grown over time, this would imply that the minutes of use per line are probably slightly understated. However, this understatement will alter the

WorldCom is able to offer our premium-priced Neighborhood product in only certain parts of Colorado, Iowa, and North Dakota. For now, a price squeeze prevents wider entry.

As shown in Exhibit 1, we perform a price squeeze analysis by subtracting the costs of leasing UNEs from the monthly revenue a carrier would receive if it provided a standard measured product, one feature at the same retail price Qwest charges, and the SLC. From that amount, i.e., the gross margin, a carrier must then cover its own internal costs. The statewide gross margin is $4.54 in Colorado, $0.75 in Idaho, $1.45 in Iowa, $7.66 in Nebraska, and $7.44 in North Dakota. None of these margins are sufficient to cover a CLEC's cost in leasing the elements and its own internal costs. As WorldCom has explained previously, internal costs typically include customer service costs, costs associated with customers who don't pay their bills, billing and collections, overhead, marketing costs, and other operational costs, and exceed $10 per line per month, even apart from significant up-front development costs.[17]

In terms of the gross margin in each of the zones in each of the five states, Exhibit 1 shows that CLECs would experience a *negative* gross margin in zone 3 in all five states, the worst being a shocking gross margin of *negative $36.76* in Nebraska and the best being *negative $9.05* in Iowa. There is also a negative gross margin in zone 2 in two of the states (Idaho and Nebraska) and barely a positive gross margin of $0.07 in zone 2 in North Dakota. Furthermore, the gross margin is less than $10 in zone 1 in Iowa and Idaho, making it impossible for WorldCom to profitably provide residential UNE-P

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analysis presented here only to the extent that the CLEC lines were growing at a different rate in the individual states.

service to the mass market in these zones. Although Qwest improved its UNE rates in many respects, the fact is that there remains a statewide average price squeeze in each of the five states for Qwest has sought section 271 authorization and in many of the key zones in each of the states. Qwest's section 271 application should be denied on public interest grounds because of these price squeezes.

* * *

Recognizing that its rates in Idaho, Iowa, Nebraska, and North Dakota were well in excess of the Colorado rates, even after adjusting for cost differences among the states, Qwest has correctly lowered its rates in these states. However, the methodology Qwest used to lower its rates still results in excessive recurring rates and a price squeeze. The Commission should reject Qwest's 271 application until Qwest lowers its rates to reflect the sales of exchanges and the different demand characteristics of the states and to eliminate price squeezes.

IV. QWEST DOES NOT PROVIDE CUSTOMIZED ROUTING TO WORLDCOM

Qwest refuses to provide customized routing to WorldCom in the way WorldCom has requested and to which it is entitled under the Act and Commission precedent. Qwest therefore fails to meet checklist items 2 and 7 of section 271. Customized routing enables a requesting CLEC to designate the particular outgoing trunks associated with unbundled switching provided by the incumbent, which will carry certain classes of traffic originating from the CLEC's customers.[18] One use for customized routing is to carry calls from Qwest's switch to the CLEC's Operator Services and Directory

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[17] *See, e.g.,* Huffman Decl. ¶¶ 8-12, attached to WorldCom Comments, *In re Application for Verizon New England for Authorization to Provide In-Region, InterLATA Services in Vermont,* CC Docket No. 02-7 (FCC filed Feb. 6, 2002).

Assistance ("OS/DA") platform in order to allow the CLEC to self-provision OS/DA services to its customers. WorldCom wants to self provision OS/DA services to its customers and has designated its existing Feature Group D trunks as the trunks over which it wants Qwest to route its customers' OS/DA calls. Qwest refuses to comply with WorldCom's request. Qwest maintains that WorldCom must purchase direct trunks dedicated to OS/DA traffic from each of Qwest's end offices to WorldCom's switches, rather than permitting WorldCom OS/DA traffic to travel over common transport to WorldCom's network.[19]

Qwest's refusal to provide customized routing violates the Act and Commission orders. Specifically, Qwest's conduct violates section 251(c)(3),[20] which requires ILECs to provide nondiscriminatory access to network elements, and sections 271(c)(2)(B)(ii), (vii), which requires successful section 271 applicants to provide access to UNEs pursuant to sections 251(c)(3) and 252(d)(1) and access to OS/DA services. Customized routing is part of the unbundled switching network element.[21] ILECs are not required to provide OS/DA as a UNE if they provide customized routing, pursuant to the UNE Remand Order.[22] Qwest does not provide OS/DA as a UNE and therefore must provide requesting carriers with customized routing.

The Commission specifies that requesting CLECs are entitled to designate the trunks on which the ILEC must route OS/DA traffic:

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[18] UNE Remand Order at para. 441, n. 867.
[19] *See* Exhibit 2, Declaration of Edward Caputo Regarding Checklist Item Two – Non Discriminatory Access to Network Elements.
[20] 47 U.S.C. § 153 et. seq.
[21] 47 C.F.R. § 51.319 (c)(1)(iii)(B) ("all features, functions and capabilities of the switch, which include but are not limited to: (B) All other features that the switch is capable of providing, including but not limited to, customer calling, customer local area signaling service features, and Centrex, as well as any technically feasible customized routing functions provided by the switch.")
[22] *See* UNE Remand Order ¶ 441.

> Customized routing permits requesting carriers to designate the particular outgoing trunks associated with unbundled switching provided by the incumbent, which will carry certain classes of traffic originating from the requesting provider's customers. This feature would allow the requesting carrier to specify that OS/DA traffic from its customers be routed over designated trunks which terminate at the requesting carrier's OS/DA platform or a third party's OS/DA platform. [23]

This definition of customized routing states that it is WorldCom, and not Qwest, that is entitled to designate the trunks on which Qwest will route WorldCom's OS/DA traffic. Qwest has no right to decide that WorldCom must establish separate trunks.

Moreover, the Commission recognized the ILECs' obligations to provide customized routing specifically over Feature Group D trunks in its review of a BellSouth Louisiana's section 271 application.[24] Because MCI did not demonstrate that it had actually requested this method of customized routing from BellSouth, the Commission found the record inconclusive. Nonetheless, the Commission concluded that, absent technical infeasibility, an ILEC's failure to provide customized routing using Feature Group D signaling violates the Act. The Commission stated:

> MCI raises a separate challenge to BellSouth's customized routing offering. MCI claims that BellSouth will not "translate" its customers' local operator services and directory assistance calls to Feature Group D signaling. As a result, MCI cannot offer its own operator services and directory assistance services to customers it serves using unbundled local switching. MCI, however, fails to demonstrate that it has requested Feature Group D signaling, and BellSouth claims that it has never received such a request. Thus, the record is inconclusive as to this objection. We believe, however, that MCI may have otherwise raised a legitimate concern. If a competing carrier requests Feature Group D signaling and it is technically feasible for the incumbent LEC to offer it, the incumbent LEC's failure to provide it would constitute a violation of section 251(c)(3) of the Act. Our rules require incumbent LECs, including BOCs, to make network modifications to the extent necessary to accommodate interconnection or access to network elements.[25]

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[23] UNE Remand Order ¶ 441 n.867.
[24] Louisiana II Order ¶ 221.
[25] *Id*. ¶ 226.

Here, WorldCom has requested customized routing from Qwest through Feature Group D signaling. Qwest agrees that it is technically feasible.[26] The Commission has clearly stated that under these circumstances, Qwest must make network modifications necessary to accommodate WorldCom's customized routing request. Several state commissions agree.[27] Qwest's failure to do so constitutes a violation of section 251(c)(3) of the Act and checklist items 2 and 7 in section 271. Qwest should provide WorldCom with customized routing before gaining section 271 authorization.

[26] Qwest has not asserted that there is a technical impediment exists to providing customized routing over WorldCom's Feature Group D trunks.

[27] For example, an Administrative Law Judge in Minnesota concluded that WorldCom and others demonstrated that Qwest improperly did not accommodate technologies used for customized routing as required by the FCC, and therefore required Qwest to offer OS/DA as a UNE. *See In re a Commission Investigation into Qwest's Compliance with Section 271(C)(2)(B) of the Telecommunications Act of 1996; Checklist Items 3, 7, 8, 9, 10, and 12;* OAH Docket No. 12-2500-14485-2, PUC Docket No. P-421/C1-01-1370, State of Minnesota Office of Administrative Hearings for the Minnesota Public Utilities Commission, May 8, 2002.

CONCLUSION

Qwest's section 271 application for Colorado, Idaho, Iowa, Nebraska, and North Dakota should be denied, for the reasons described above.

Respectfully submitted,

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July 3, 2002

CERTIFICATE OF SERVICE

I, Lonzena Rogers, do hereby certify that on this third day of July, 2002, I have caused a copy of WorldCom, Inc.'s Comments in the matter of WC Docket No. 02-148 Application by Qwest Communications International, Inc. for Authorization Under Section 271 to Provide-In-Region InterLATA Service in the States of Colorado, Idaho, Iowa, Nebraska and North Dakota to be served by hand delivery and e-mail on the following:

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